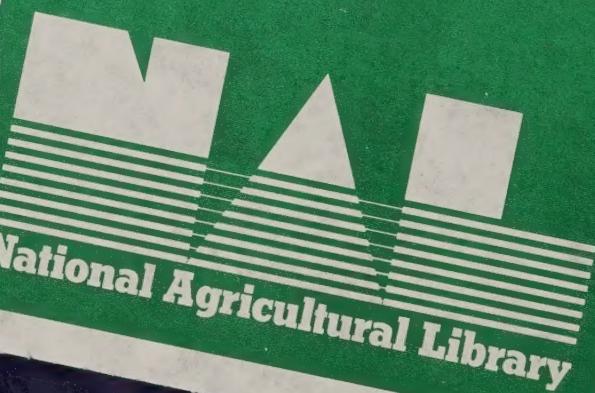


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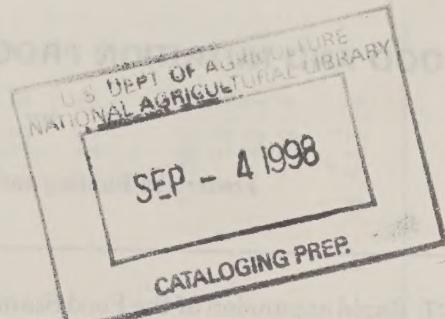
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"USDA FOOD AND NUTRITION PROGRAMS--A PROGRESS REPORT"



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U.S. DEPARTMENT OF AGRICULTURE

USDA FOOD AND NUTRITION PROGRAMS—A PROGRESS REPORT

by

Fredericka Bunting and Robert Reese¹

ABSTRACT: Rapid expansion of the Food Stamp and other Food and Nutrition Programs of the U.S. Department of Agriculture during the 1970's has been accompanied by structural program changes resulting from higher priorities assigned to national food and nutrition goals, changes in the role of the Federal Government in attaining these objectives, and agricultural and economic conditions. Further changes will depend in part on results from an on going legislative re-examination of Federal cash and in-kind income transfer programs and alternative forms of welfare systems.

KEYWORDS: Food programs, food stamps, school lunches, child feeding, nutritionally adequate diets, food consumption, welfare, Federal expenditures.

BACKGROUND

With the Food and Nutrition Programs of the U.S. Department of Agriculture entering their fourth decade, this is an appropriate time to review their evolution, status, and outlook. Emergency distributions of surplus food during the early 1930's expanded into a family of related programs aimed at improving the nutritional status of infants, children, and low-income families. Current operations include (1) the Food Stamp Program (FSP); (2) National School Lunch (NSLP) and Breakfast Programs; (3) Special Milk Program; (4) Special Food Service Program (SFSP) for children during the summer and in daycare centers, nursery schools, camps, and other nonresidential institutions; (5) several programs providing needy mothers, infants and children with nutritionally rich supplemental foods; and (6) Commodity Distribution Programs serving disaster victims, Indians on reservations, schools, hospital, and other institutions housing low-income persons, elderly, and other authorized food services.

In the past 10 years, the School Breakfast, Special Food, and Supplemental programs were initiated to supplement existing programs in fulfilling the nutritional and food needs of poor families. Also, major shifts were made in the primary programs which reflected changes in (1) agricultural and economic conditions, (2) higher priorities assigned to food and nutritional objectives, and (3) the Federal Government's role in achieving these goals.

Structural changes in the USDA Food and Nutrition Programs during the past decade include:

- (1) Family food programs have shifted emphasis from a diet supplementation to a full nutrition concept.
- (2) During 1974 the Food Stamp Program became the national approach to food assistance for families—with a few exceptions.
- (3) National income and other standards for program participation replaced divergent State and local standards.
- (4) Greater emphasis was given to assure that children from economically disadvantaged families have access to free or reduced-price school or other institutional food services—and the Federal Government has borne an increasing share of such costs.
- (5) Foods available under the agricultural price stabilization and surplus removal programs have become limited—accelerating shifts in Federal contributions from commodities to cash grants or purchase voucher, such as food stamps.

Expanded participation and benefits, together with higher food prices, have resulted in a rapid increase in Food and Nutrition Program expenditures. (See Table 13). Presently, the Food and Nutrition Programs account for about two-thirds of the U.S. Department of Agriculture's budget.

The Food and Nutrition Programs also constitute a growing share of the total market for food. Federal contributions during fiscal year 1974 were equivalent to 3 percent of total U.S. food expenditures—up from

¹Economist and Agricultural Economist, NEAD, ERS.

Table 13.--Federal Expenditures for USDA Food and Nutrition Programs, Fiscal Year 1969-74

Program	Fiscal Year					
	1969	1970	1971	1972	1973	1974
Food stamps						
Total food stamps <u>1/</u>	603.4	1,090.0	2,713.3	3,308.6	3,884.0	4,724.3
Bonus stamps	228.8	549.7	1,522.7	1,797.3	2,131.4	2,714.1
Food certificate	---	.1	1.0	1.1	.9	.8
Food distribution <u>2/</u>						
Needy families	223.9	281.6	308.4	298.6	241.4	189.4
Supplemental food	1.0	7.8	12.8	12.9	13.3	15.1
Schools <u>3/</u>	272.1	265.8	279.2	314.8	331.0	319.4
Institutions	25.4	22.5	24.5	25.8	27.4	25.0
WIC <u>4/</u>	---	---	---	---	---	11.1
Child nutrition <u>5/</u>						
School lunch	203.8	300.3	532.2	738.8	882.2	1,068.3
School breakfast	5.4	10.8	19.4	24.9	34.6	55.5
Special food	1.5	7.7	20.8	37.1	44.9	62.1
Special milk	101.3	101.2	91.1	90.3	90.8	52.4
Total <u>6/</u>	:1,063.1	1,547.5	2,812.9	3,341.6	3,797.9	4,513.2

1/ Includes the stamps purchased by participants and bonus stamps received free.

2/ Cost of food delivered to State distribution centers.

3/ Includes commodities procured under section 6 of the National School Lunch Act and through price stabilization and surplus removal programs.

4/ Special supplemental food program for Women, Infants and Children begun January 1974.

5/ Money donated for local purchase of food. Excludes nonfood assistance.

6/ Excludes family food stamp purchases.

about 1 percent in 1969. When family purchases of food stamps and spending by children and States for school meals and milk are included, total program expenditures were equivalent to about 5 percent of total U.S. expenditures for food at home and away from home.

FOOD STAMP PROGRAM

Prior to 1970, bonus food stamps supplemented capabilities of low-income families to attain nutritionally adequate diets. Since 1970, the Food Stamp Program has been based on the concept that low-income households should be able to purchase a nutritionally adequate diet without spending more than 30 percent of their net income on food—or at no cost if they have little or no income. The difference is paid for by the Federal Government in the form of bonus food stamps.

Households of the same size received food stamp allotments of equal dollar value. Food Stamp issuance levels are adjusted upward every 6 months on the basis of the cost of the Economy Food Plan. Purchase requirements remain unchanged as a function of recipient's income. For that reason, the entire burden of food price increases faced by recipients is borne by the Federal Government. The average bonus per person has risen more rapidly than food prices due to the price adjustment and changes in the size composition and incomes of the participating families. In the past quarter (FY 1975 II), the average bonus per person was 44% above two years earlier even though stamp issuance levels had increased only 34%. Over this period prices for food at home (CPI) increased 32%, the cost of the economy food plan rose 37%.

Participants normally buy food stamps once or twice each month. Approximately 95 percent

purchase their total food stamp allotment. The others use purchase options available since 1970 that allow them to buy 25, 50 or 75 percent of their total allotment.

Eligibility

Public Assistance households are automatically eligible for food stamps. Other households are eligible if they meet income, asset, and other criteria, and are willing and able to accept employment if they are not caring for children.

Income eligibility cutoffs in each household-size category, are related to cost of the Economy Food Plan (or 3.3 times the total amount of food stamps issued). Currently, a family of four persons with a net income of up to \$513 per month would receive food stamps worth \$154.

FSP income eligibility cutoffs currently are over 20 percent higher than the poverty income thresholds defined by the Social Security Administration. Since 1969, adjustments in poverty income thresholds have been determined by changes in the Consumer Price Index (CPI). During 1973 and 1974, increases in food prices, upon which FSP income thresholds are based, have outstripped increases in the total CPI. Thus many families defined as "near poor," as well as poor, qualify for food stamps.

Participation

In fiscal 1969, about 2.9 million persons received food stamps. After benefits were liberalized, participation rose rapidly to 11.3 million persons in December 1971, primarily reflecting expansion of existing local programs. Since October 1973, until recent months growth in participation primarily reflected localities shifting from donated commodities to food stamps (Fig. 9).

Food Cost and Food Stamp Issuance

Year and quarter	Cost of Economy Food Plan For Family of 4	Consumer Price Index Food at Home	Food Stamp Issuance For Family of 4	Average Bonus Per Person	
				Current Dollars	Constant Dollars ¹
1972 III	\$114.60	123.0	\$112	\$14.80	\$12.07
IV	115.10	124.0	112	14.49	11.73
1973 I	121.80	130.8	112	14.55	11.16
II	128.93	137.6	112	14.50	10.53
III	137.50	146.3	116	15.29	10.40
IV	140.27	151.1	116	15.16	10.09
1974 ² I	148.37	158.0	142	19.81	12.55
II	151.80	159.8	142	19.51	12.17
III	153.67	163.0	150	20.70	12.70
IV	158.10	168.4	150	20.87	12.39
	Percent	Percent	Percent	Percent	Percent
1974: IV Change From 1972 IV	37.4	35.8	33.9	44.0	5.6
1973 IV	12.7	11.5	29.3	37.7	22.8

¹ Preliminary. ² Derived by dividing average bonus per person by the CPI index for food at home.

PARTICIPATION IN THE FAMILY FOOD ASSISTANCE PROGRAMS

(Fiscal Year Average)

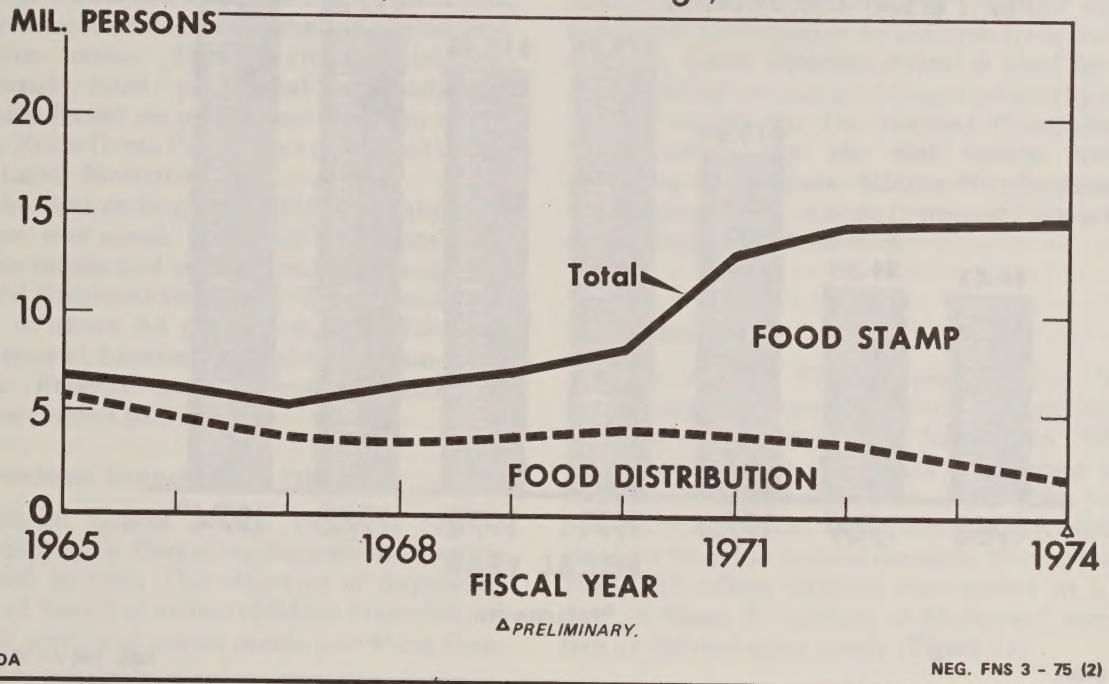


Figure 9

By June 1974, FSP participation stood at 13.5 million persons, at that time members of Public Assistance households made up about 54 percent of FSP participation, compared with 46 percent from other low-income families. Since last fall participation resumed climbing as unemployment levels rose and more people became aware of program benefits. During December 1974, more than 17 million persons received food stamps including 1 million newly entering the program in Puerto Rico. For the first time, welfare recipients accounted for less than one-half (48 percent) of all persons obtaining food stamps.

FSP statistics based on monthly participation data underestimate substantially the number of different persons receiving food stamps during the year. A large but undetermined number of families have temporarily fluctuating incomes, and qualify for food stamps over short periods. Also, some families fail to buy food stamps every month for personal reasons.

Benefits

In fiscal 1974, the average per capita monthly benefit was \$17.54 (Figure 10). The average family spent about 43 cents for each dollar of food stamps.

Families with incomes near the maximum, however, may pay as much as 84 cents for each \$1 of food stamps.

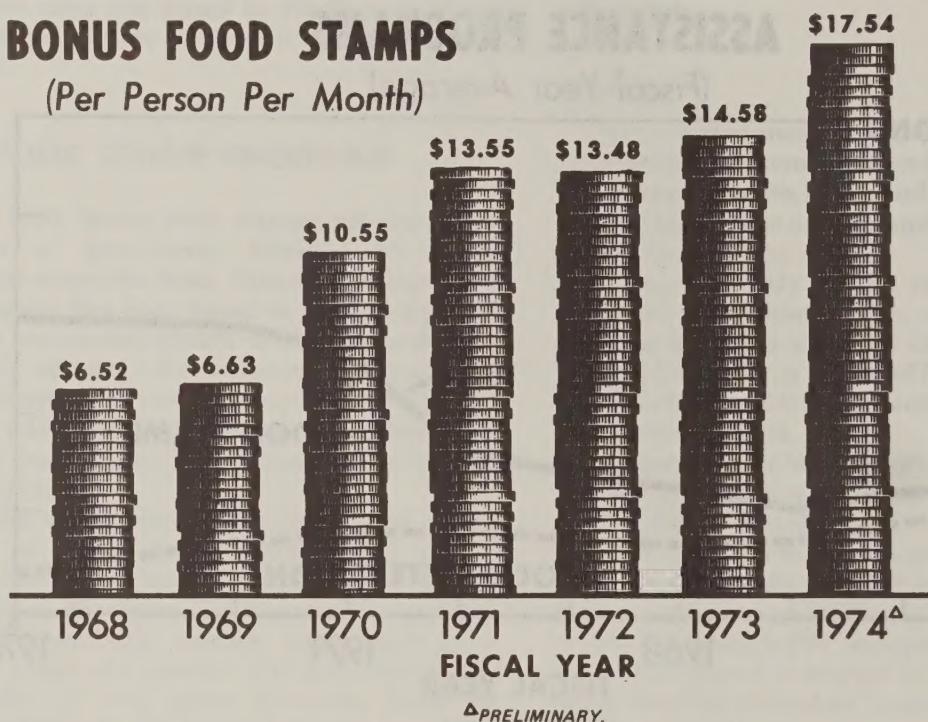
Bonus food stamps provide both food and, indirectly, income benefits to recipients, even though all food stamps are spent for food. The allocation of income and food benefits will vary by households, depending upon the amount they spend in purchasing food stamps and how much they would normally spend for food in the absence of the Program. This is illustrated by an example of a family paying \$60 to receive \$100 worth of food stamps.

This family usually spends \$80 a month on food, an amount which increases to \$100 with food stamps. The \$40 in bonus food stamps provides \$20 in food benefits and frees \$20 in family funds which may be spent for food or other items. In contrast, if they had been spending only \$60 for food, all of the \$40 in bonus stamps would have been spent for food.

Recent studies have indicated that food benefits from bonus stamps are received primarily by families with low levels of food expenditures. In contrast, indirect income benefits accrue primarily to families already making food expenditures at levels which should provide them with the basis for a healthful diet. Such families are more likely to be found in the

AVERAGE VALUE OF BONUS FOOD STAMPS

(Per Person Per Month)



USDA

NEG. FNS 7 - 75 (2)

Figure 10

upper ranges of income eligibility than at very low income levels.

Program wide, at least 50 cents out of the average dollar's worth of bonus food stamps is used in expanding demand for food, while the balance is a form of discretionary income supplements. If normal income-food expenditure relationships continue, as much as 65 cents out of each bonus stamp dollar may be spent for food which otherwise would not have been purchased in the absence of the Program. Bonus food stamps appear to be twice as effective as an equivalent cash income supplement in expanding demand for food.²

Food Marketing Impacts

During fiscal 1974, purchases made with food stamps accounted for about 3 percent of total food expenditures and 4 percent of store-bought foods. Total food expenditures were estimated to have been from \$1.1 to \$1.6 billion higher than they would have been in the absence of the Food Stamp Program.

Most of the net demand expansion for food

attributable to food stamps occurred during the years 1970 through 1972 when the rapid increases in bonus stamp issuance represented new food buying power and income to continuing participants and families joining the Program. This new demand subsequently has been built into the market for foods—and has been maintained by price-related adjustments in the Food Stamp issuance schedule.

The expanded issuance of bonus stamps since 1972, in contrast, has resulted primarily in maintaining food buying power of continuing participants during this period of escalating food prices and in replacing donated commodities formerly received by transferees to the Food Stamp Program. A smaller portion of the bonus food stamps than before are anticipated to have contributed to an expansion of total demand for food. New participants, however, may have been enabled to increase their food expenditures. Many poor families are now receiving bonus food stamps in amounts exceeding the value of the donated foods which they previously had been receiving.

CHILD NUTRITION PROGRAMS

Since 1969, Federal program expenditures for USDA Child Nutrition Programs have increased

² Reese, Robert B., Freaster, J. Gerald and Perkins, Garey B., *Bonus Food Stamps and Cash Income Supplements. Their Effectiveness in Expanding Demand for Food, Marketing*. Res. Rept. No. 1034, Econ. Res. Serv., U.S. Dept. of Agr., Wash. D.C., Oct. 1974.

nearly threefold. Increases have arisen from several sources. There has been a major expansion in consumption of free or reduced-price meals by needy children—the costs of which are borne largely by the Federal Government. The school breakfast and non-school food programs have expanded rapidly. General program contributions per meal or half-pint of milk have been increased as a result of higher food and service costs. Under 1973 legislation, reimbursement rates per meal are adjusted semiannually based on percentage changes in the Food Away From Home Price Index published by the Bureau of Labor Statistics.

During the year ending June 1974, approximately \$3.76 billion was spent, including payments from children, on meals and milk provided through the USDA Child Nutrition Programs. This amount was equivalent to about 2.4 percent of total U.S. food expenditures or 11.6 percent of total away-from-home food sales. Federal contributions in cash and commodities totaled \$1.6 billion.

National School Lunch Program

The National School Lunch Program follows general guidelines in effect since the present Program was initiated in 1946. The objective of improving nutrition and health of school children is carried out through the service of school meals providing them

with approximately one third of their recommended daily nutritional allowances. Children from poor families received free or reduced price lunches. The Federal Government provides cash (and NSLP purchased foods) under a matching fund formula.

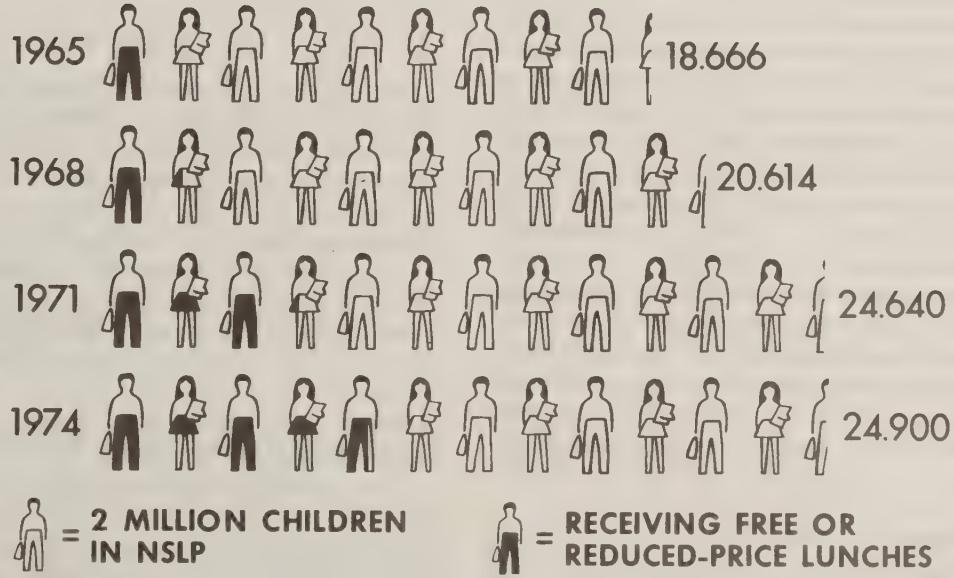
During the past decade, however, major program changes have occurred as a result of efforts to maximize participation by children from low-income families. Local determinations of need for free or reduce-priced lunches have been replaced by national income standards. The Federal Government has largely taken over the cost burden involved in providing food to these children. Non-food assistance funds have helped schools in poverty areas to set up and maintain food services.

Participation

Approximately 87.2 percent of the Nation's elementary and secondary school children attend the 87,000 schools offering NSLP lunches. In 1969, about 77 percent of this population had access to these lunches. Program expansion since 1969 has been primarily associated with increased participation by children from low income families. During December 1974, 24.9 million children were served on a typical day. Of these, 9.7 million, or 39 percent, were given free or reduced-price meals (Figure 11).

PARTICIPATION IN THE NATIONAL SCHOOL LUNCH PROGRAM

(Million Participants)



USDA

NEG. FNS 8 - 74 (9)

Figure 11

Eligibility for Free Or Reduced-Price Lunches

The Secretary of Agriculture issues annual income guidelines, based on changes in the CPI, for determining eligibility of children to receive free or reduced-price school lunches. For the 1974-75 school year, children in a family of four with an income of \$4,510 or less qualify for free lunches. Guidelines are higher in Alaska, Hawaii, and Guam. The States are authorized to set eligibility levels for free lunches up to 125 percent of the Federal guidelines, and for reduced-price lunches up to 175 percent.

Federal Payments

General assistance under NSLP is a matching grant program based on the general concept that for each \$1 received from the Federal Government, \$3 will be expended by the participating States and localities—including revenues received from meal purchases by children. Federal funds spent for free and reduced-price lunches are not subject to the matching requirement. Since 1969 the average rate of Federal reimbursement on all lunches has been increased from 4.8 cents per lunch served to 11.75 cents currently.

During January-June 1975, an additional payment of 52.5 cents will be made for each free meal and 42.5 cents for each reduced price meal. The latter rate encourages schools to establish reduced-price lunch services at rates up to 20 cents.

Nonfood assistance during 1973-74 helped equip over 8,400 school food service operations. Over \$26 million was spent in helping schools to enter the program or to maintain or improve their food service capability.

During the same period, about \$67.4 million in NSLP funds were spent in procuring foods such as fruits, vegetables, meats and poultry which would improve the nutritional content of school lunches. This was part of the federal contribution for basic program support. An additional \$251.9 million worth of commodities acquired through price support and surplus removal programs were delivered to schools.

In times of tight supplies, only a limited variety of products are available under price support and surplus removal programs. Under 1973 legislation, USDA is authorized to substitute cash for commodities in the event that the value of shipments was less than 90 percent of projected levels as of February of each year. During fiscal year 1974 \$70 million was donated to schools in lieu of commodities. The substitution of cash for commodities is not necessary during fiscal year 1975 due to adequate food supplies.

School Breakfast Program

In 1968, the School Breakfast Program was made available to schools on a limited basis. It is now available to all schools. After a period of rapid growth, participation is increasing but at a slower

rate. During the year ending June 1974, breakfasts were served in nearly 12,000 schools. On an average day 1.34 million children were served breakfast—over 1 million of which were served free or at reduced prices. The same income standards apply to eligibility for free or reduced-price breakfasts.

During the first 6 months in calendar 1975, Federal cash payments of 9.25 cents per breakfast will be made. Additional payments will be made of 23.25 cents for each reduced-price breakfast served. In cases of special need, higher rates were authorized.

Special Food Services

The Special Food Service Program, also initiated in 1968, supports meal services for children in daycare centers, summer camps and other nonprofit nonresidential institutions. The program primarily serves to improve diets of preschool age children year round, and children from 3 years up during the summer when school meals are not available.

During May 1974, a peak month, the Year-Round Program was offered through 8,451 outlets, with an average daily attendance of 364,962 children. In July 1974 Special Food Services were provided in 11,840 nonresidential summer camps with an average daily attendance of 1,730,000 children. Residential summer camps are not included in the program. During the year ending June 1974, over 225 million meals were served at a cost to the Federal Government of \$62.1 million.

For most sponsors of Year-Round Programs as of January 1975, the maximum Federal reimbursement is 36 cents for a lunch or supper, 18 cents for a breakfast, and 12 cents for a meal supplement. Higher reimbursements may be made in cases of special need.

Special Milk Program

Since 1954, reduced-price milk has been made available to preschool and school age children under the Special Milk Program. During the year ending June 1974, participating schools and childcare centers received Federal reimbursements averaging 3.5 cents per half pint or approximately half of the average cost of the milk served under the program.

During May 1974, a peak month, "special" milk was offered to children in over 87,000 schools and nearly 2,300 childcare centers. During the year ending June 1974, nearly 1.5 billion half pints of "special" milk were served—compared with about 4 billion half pints included in the NSLP lunches.

New Legislation implemented in July 1974 made "special" milk available to all schools, nonprofit childcare centers, settlement houses, summer camps, nursery schools, or organizations participating in the Special Food Service Program. Special Milk was made available free to needy children qualifying on the same income basis used in determining eligibility.

for free lunches. Other children continue to pay for milk at reduced prices.

Currently, USDA reimbursements are 5 cents per half pint for milk purchased by children. The Department pays the full cost of the milk served free—based on the average cost from all the supplies.

WOMEN, INFANTS, AND CHILDREN'S PROGRAMS

In 1969, efforts were initiated to distribute a combination of foods rich in nutrients needed by mothers, infants, and children through a Supplemental Food Program. Later a Food Certificate Program was set up in five areas which provided mothers and infants with certificates used in the purchase of infant formula, baby cereal, and milk. The two efforts were additions to the Food Distribution and Food Stamp Programs.

In January 1974, the new Supplemental Food Program for Women, Infants and Children (WIC) was initiated. Cash grants are made through the States to local health agencies conducting WIC projects. This program is focused more broadly on the nutritional needs of mothers, infants and children up to the age of 4 years. It is, in effect, a medical and health program in which nutritionally rich foods are prescribed and made available to participants from USDA inventories or through purchase orders. Different approaches are being tested and operating procedures are varied.

As of July 1974, over 121,000 mothers, infants and children in 115 localities received foods, worth an average \$10.25 per person, under the Supplemental Food Program. A year earlier, about 159,000 persons in 228 areas were participating in the program. In the interim, many of these areas transferred to the new WIC program.

During the same month in 1974, over 8,000 persons received food certificates under the Food Certificate Program—a reduction of about 2,000 during the year. The average per capita value of these vouchers was \$7.22.

In the rapidly expanding WIC Program, over 273,000 persons were participating in 244 areas as of November 1974. Participants included approximately 44,000 women, 83,000 infants, and over 145,000 children.

COMMODITY DISTRIBUTION

During the year ending June 1974, over \$549 million was spent by the Federal Government in acquiring foods and distributing them to the States through the Food and Nutrition Programs. Schools and nonresidential institutions serving children were the primary outlets, receiving foods costing \$319 million (See table 13).

As of December 1974, food distribution to low-income families was terminated in 49 States except for Indian reservations and in three counties in the State of Washington, the only localities where both family assistance programs are allowed to operate simultaneously. These programs are serving about 100,000 persons. Their continuance has been authorized until June 30, 1977. Also, more than one-half million Puerto Ricans were receiving donated commodities during fiscal 1974, under a program to be phased out by February 1975 in favor of food stamps. The trust territories have been receiving foods and will continue to do so.

Needs for continuing Federal food procurement and domestic distribution are being reexamined as a result of limitations in the numbers and types of foods qualifying for purchase under price stabilization and surplus removal programs. Possible alternatives to commodity distribution include cash payments or purchase vouchers for specific foods which would be used by schools and others in buying foods locally.

In mid-1974, a survey was conducted to compare costs of foods provided by USDA with prices paid by schools for similar items. Results indicate that large school systems and others affiliated with central food purchasing operations generally bought foods at prices approximating federal costs, but many smaller school districts purchasing independently were at a price disadvantage.

OUTLOOK

Operational changes in the USDA Food and Nutrition Programs during the past 5 years stemmed primarily from legislative and administrative actions to increase the effectiveness of programs in meeting national nutritional goals. These objectives may be described as (1) eliminating financial restraints to attainment of nutritionally adequate diets, and (2) minimizing nutritional risks to good health of children, infants, mothers and elderly persons resulting from causes essentially beyond their control.

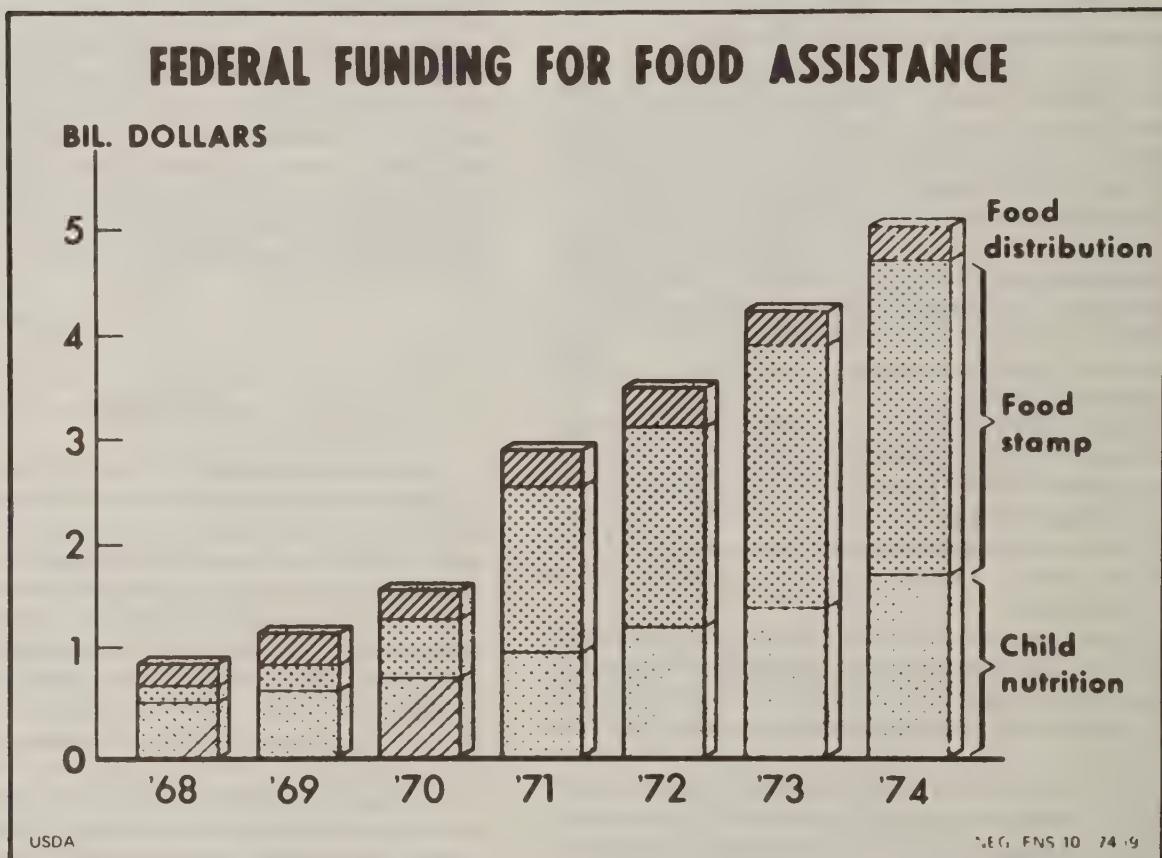
The Food and Nutrition Programs now constitute the largest single component in the combination of cash and in-kind income transfer programs which make up the national welfare system. These programs, along with other rapidly expanding federal efforts, will be under scrutiny in the legislative and budgetary process.

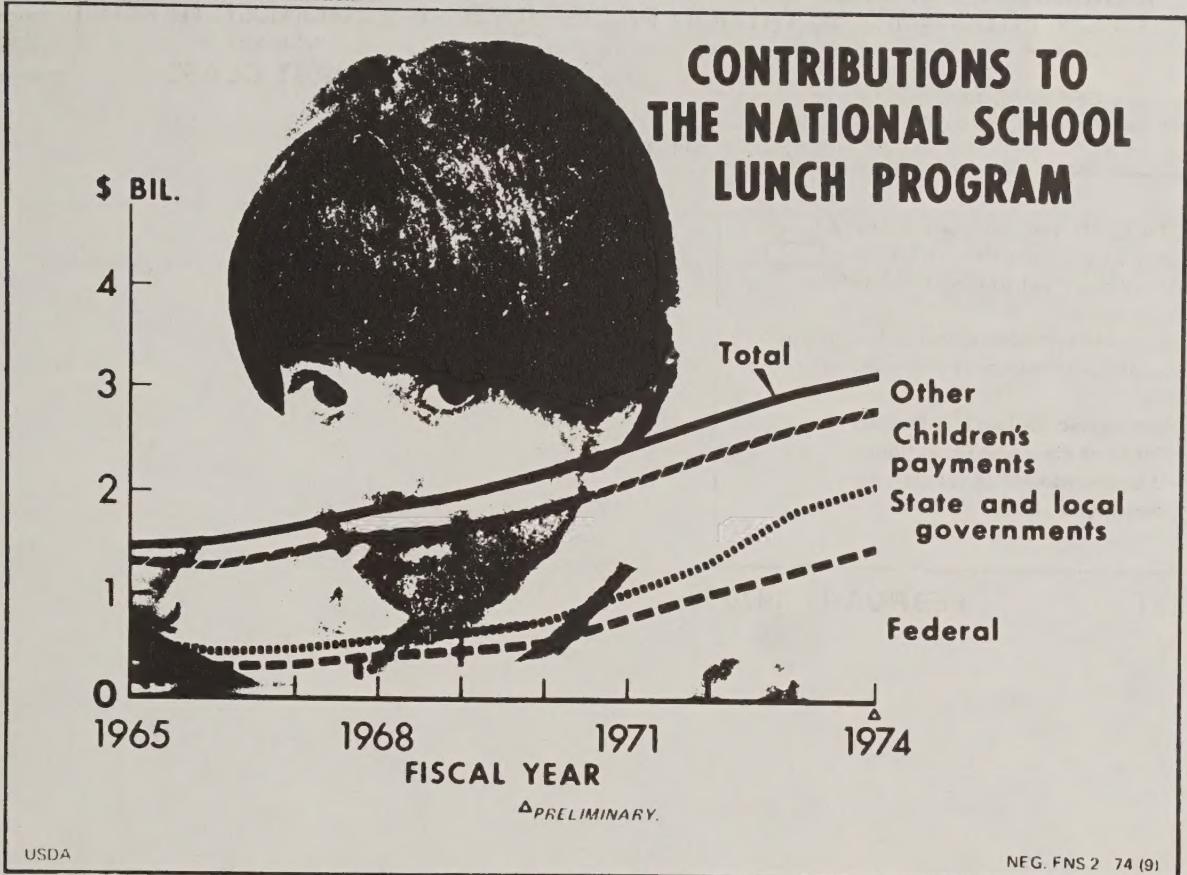
With very few commodities in surplus supply, relatively limited quantities and types of foods may be available for acquisition through agricultural price stabilization and surplus removal programs. An announcement has been made, however, that commodity distribution to schools and other institutions will be continued through the year ending June 1976.

Continuing increases in food prices projected through mid-1975 will be translated through the semiannual escalators into higher issuance rates for food stamp and larger reimbursements to schools and other nonresidential institutions for children, subject to the 5% increase limit proposed by the President. Rises in the CPI and its food components also will result in proportionate increases in income eligibility for food stamps and free or reduced-price meals and milk for children. While experience during recent years has indicated that a relatively small portion of the newly eligible "near-poor" families will choose to

accept food assistance, more recent experience suggests that relatively larger numbers of newly unemployed are participating.

Although substantial increases in program costs are now in process, limited expansion in demand for food may be generated. Most of the additional federal dollars will be used to offset the affects of inflation and unemployment on food purchasing power. Food stamps, in particular, may provide a floor for food expenditures above levels to which they otherwise would fall rather than generating a greatly expanded demand for food.

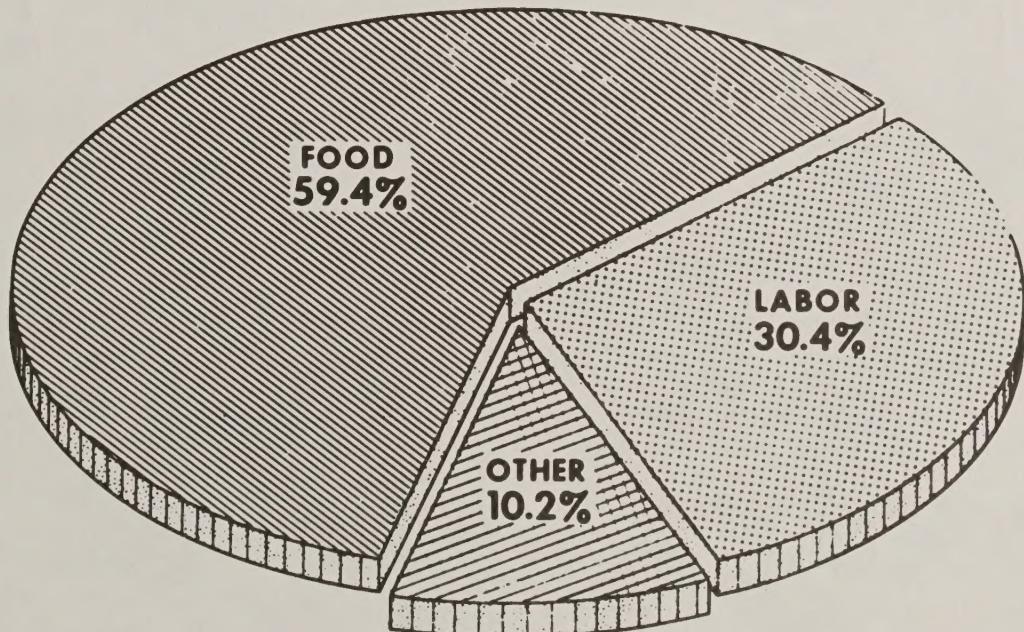




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EXPENDITURES FOR SCHOOL LUNCHES (Fiscal Year 1974)



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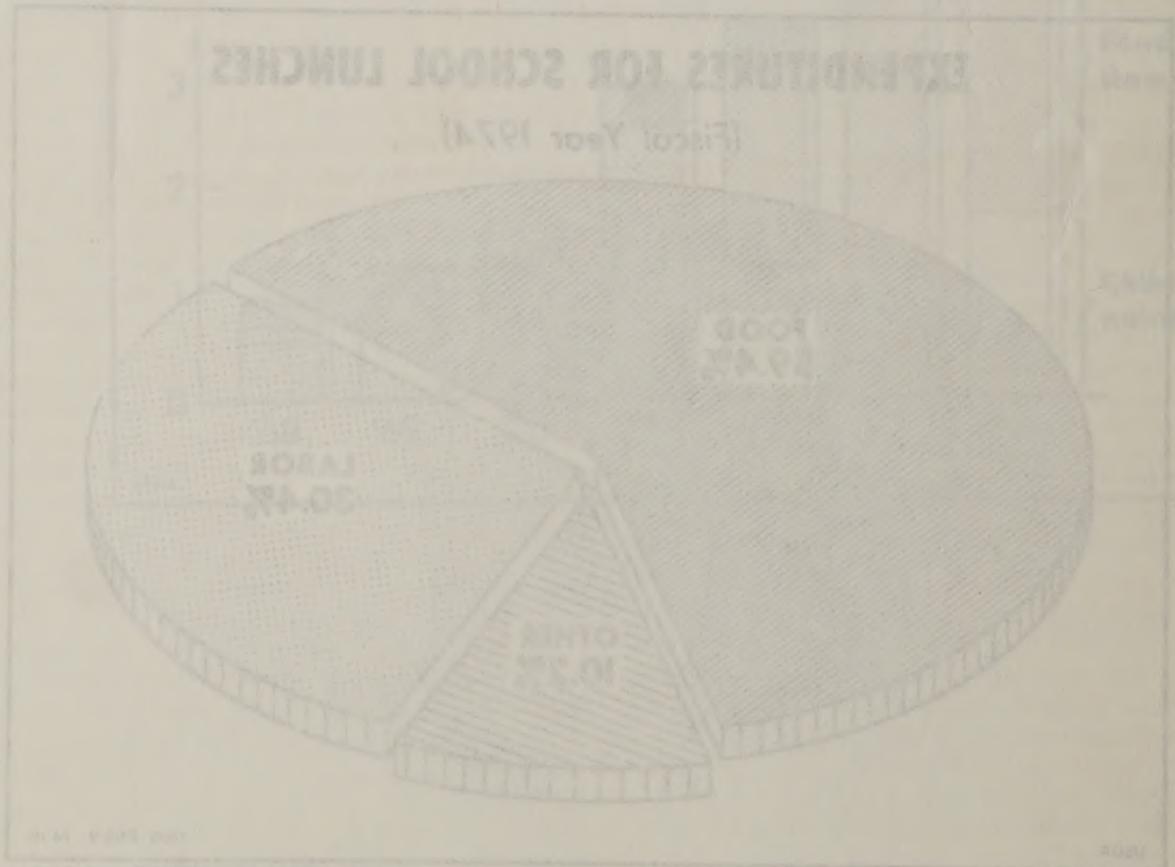
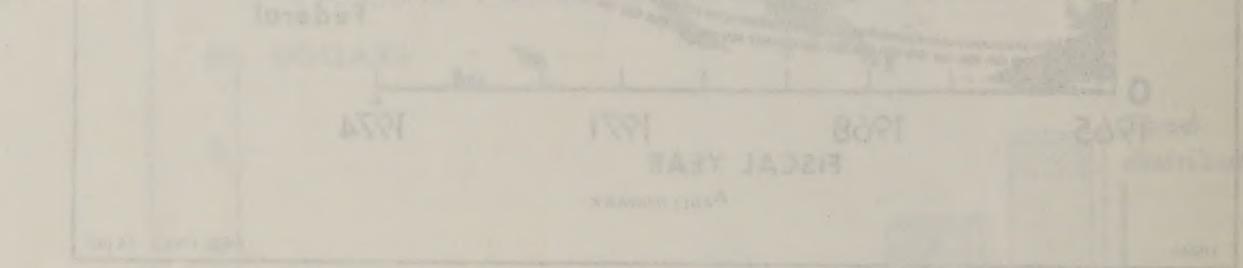
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